November 20, 2002

Chairman Powell
Commissioner Abernathy
Commissioner Adelstein
Commissioner Copps
Commissioner Martin
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: CC Docket Nos. 01-338, 96-98 and 98-147

Dear Commissioners:

Pursuant to Section 1.1206 (b)(1) of the Commission's rules, Eschelon Telecom, Inc. submits the attached written *ex parte* in the above-captioned docketed proceedings. This submission is intended to convey the significance of this proceeding to Eschelon as a small business, and to the thousands of very small businesses that we serve using our own facilities in tandem with unbundled network elements that we obtain from RBOCs.

Eschelon Telecom was founded in 1996 to provide small businesses with telecommunications equipment and network services. Initially, Eschelon resold RBOC network services. In 1999, we began raising capital to fund investment in switching facilities and collocations. We currently employ 950 people across seven states. We have deployed six voice and seven data switches and built out over one hundred collocations in twelve second and third tier markets across our western and mid-western states. Today we serve approximately 35,000 small business customers – our average customer subscribes to about four access lines.

Eschelon has been successful selling to small businesses for a number of reasons. We offer our customers network services at approximately 10% less than the RBOC, saving them approximately $10 million annually. Our typical customer does not have a communications specialist on staff. We add value to our network services by advising our customers on the sets of services that best match their needs. Because Eschelon also distributes, installs and maintains business telephone systems, we can provide our customers with a complete telecommunications solution. Further, we periodically contact our customers to determine if their needs have changed.

Eschelon distinguishes its customers into those that are "on-net" and those that are "off-net." By "on-net" we mean customers located in wire centers in which we have built a collocation and who we can serve from our own voice and data switches. To serve these customers, we buy a loop from the RBOC to the customer premise, we pay the RBOC to place a jumper that connects the loop to our collocated DLC equipment. We also buy transmission facilities from the RBOC to transport the signals from our collocation to our switch. We also purchase interconnection trunking and tandem switching from the RBOC to link our switch to the RBOC's tandem or end-office switches. In our markets, we have not found alternative suppliers of loops, interconnection trunking, or tandem switching. In a few of our markets, we have been able to obtain interoffice transport from someone other than the RBOC, but at a significantly higher price. However, to provide our customers with reliable service, we insist on having duplicate transport providers wherever possible. Consequently, we are very dependent upon RBOC transport.

Without an ability to buy loops, transport, tandem switching, and interconnection trunking at TELRIC rates, Eschelon would be forced out of business. Our business plan is to serve small, geographically dispersed business customers. We could never obtain the economies of scale that a ubiquitous provider has. Nor can we avail ourselves of the economies of serving concentrated high demand customers, as can those companies who target big businesses or focus on the downtown core. Our "on-net" business is dependent upon UNEs.

Our "off-net" business also plays an integral role in our success. By "off-net" we mean customers who are located in wire centers in which we have not collocated. These customers we serve using UNE-P. For every one hundred lines we sell, about seventy of them are "on-net" and about thirty are "off-net."

In an important way, our "on-net" business depends upon our having an "off-net" product set. Many of our customers have multiple locations. They require a provider who can serve them at every location. Although Eschelon has built many collocations, we cannot afford to build out a ubiquitous network in each of our markets. To economically justify a collocation, we have to have enough customers in that wire center to repay our investment. In some wire centers, it may just be a matter of time until we have sufficient customers to extend our network. In other wire centers, we may never reach the requisite customer numbers.

Without UNE-P, Eschelon would immediately lose all of its "off-net" customers. Our ability to grow a customer base and transition from "off-net" to "on-net" would disappear. In addition, we would lose as much as twenty-five to thirty percent of our "on-net" customers because we would not be able to service their "off-net" locations.

We strongly oppose those who claim that Eschelon could convert its "off-net" UNE-P lines to resale. We were in the resale business before we began our facilities build-out and resale is not a viable business. Not only are margins insufficient, but we would be constrained by the RBOC's product offerings which are poorly matched to our own product sets. Our multi-location customers would be frustrated by lack of a consistent product offering. Similarly, our sales and service efforts would be made more difficult by having to combine the RBOC's product sets with our own.

In conclusion, Eschelon is a small business that serves small businesses. We offer our customer's substantial benefits as demonstrated by the fact that we have grown from thirty thousand to over 140,000 access lines since 1999. Eschelon has invested several hundred million dollars in providing small business consumers with a competitive choice for local exchange service. Our ability to serve our tens of thousands of customers depends upon the continued availability of UNEs and UNE combinations.

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